

**PAID - UP
OIL AND GAS LEASE**

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AGREEMENT, made and entered into this **16th** day of **December**, 2010, by **Chestnut Holdings, Inc., a Florida corporation, whose address is P.O. Box 5065, Fairmont, WV 26555**, party of the first part, hereinafter called Lessor, and **CHESAPEAKE APPALACHIA, L.L.C. whose address is P.O. Box 18496, Oklahoma City, OK 73154-0496**, party of the second part, hereinafter called Lessee,

WITNESSETH:

1. That the Lessor, in consideration of the sum of One Dollar (\$1.00), the receipt of which is hereby acknowledged, and the covenants and agreements hereinafter contained, does hereby grant unto the Lessee all of the oil and gas, and all of the constituents of either in and under the land hereinafter described, together with the exclusive right to enter thereon at all times for the purpose of drilling and operating for oil, gas, and water, laying pipelines, setting meters, erecting tanks, installing electric power and telephone facilities, machinery, and structures, and to possess, use and occupy so much of said premises as is necessary and convenient for said purposes and to convey the above named products therefrom or thereto by pipelines or otherwise; also Lessee may use methods and techniques which are not restricted to current technology including the right to conduct geophysical and other exploratory tests; said land being situate in **Liberty District, Marshall County, State of West Virginia, Tax Map No. 5 parcel 9** and described as **follows**, to wit:

And is bounded formerly or currently as follows:

On the North by lands of:	William F. & Phyllis M. Knuth;
On the East by lands of:	Linda T. Gardill;
On the South by lands of:	Richard B. Zim, et al;
On the West by lands of:	Richard B. Zim, et al; Mitchell H. & Betty J. Grisak;

Said lands and interest being acquired from **Hayhurst Company** by deed dated **September 17, 2010**, and recorded in said County records in Deed Book **709** at Page **280**, and described for the purposes of this agreement as containing a total of **91.410** acres, whether actually more or less.

2. It is agreed that this lease shall remain in force for a primary term of **five (5) years** from **February 27, 2011** and as long thereafter as operations for oil and gas are being conducted on the premises, or oil and gas is found in paying quantities.

3. The Lessee shall deliver to the credit of the Lessor free of cost, in the pipeline to which he may connect his wells, the equal seventeen percent (17%) part of all oil produced and saved from the leased premises, and shall pay Lessor seventeen percent (17%) of the proceeds of all gas produced and saved from the leased premises, payable monthly: It is agreed between the Lessor and Lessee that, notwithstanding any language herein to the contrary, all oil, gas or other proceeds accruing to the Lessor under this lease or by state law shall be without deduction, directly or indirectly, for the cost of producing, gathering, separating, treating, dehydrating, compressing, processing, transporting, and marketing the oil, gas, or other products produced hereunder to transform the product into marketable form; however, any such costs which result in enhancing the value of the marketable oil, gas or other products to receive a better price may be deducted from Lessor's share of production so long as they are based on Lessee's actual cost of such enhancements. However, in no event shall Lessor receive a price that is less than, or more than, the price received by Lessee.

4. No default shall be declared against the Lessee by the Lessor for failure of the Lessee to make any payment or perform any conditions provided for herein unless the Lessee shall refuse or neglect to pay or perform the same for ninety (90) days after having received written notice by certified mail from the Lessor of his intention to declare such default.

5. The Lessee agrees to pay Lessor a Delay Rental at the rate of **Five and 00/100 (5.00) dollars** per net mineral acre payable annually in advance, beginning one year from the effective date hereof, and continuing thereafter until the commencement of Royalty payments. Delay Rental paid for time beyond the commencement date of Royalty payments shall be credited upon the Royalty payments. **The parties hereto agree that this is a Paid-Up Lease agreement with no further payments due Lessor during the primary term hereof, save and except any and all royalty and/or shut-in royalty due hereunder.**

6. Lessor excepts and reserves all the oil and gas, coalbed methane gas and their constituents whether hydrocarbon or non-hydrocarbon within and underlying said land from the surface to a depth of **200 feet above the top of the Tully Formation, and those subsurface depths from 100 feet below the top of the Onondaga Formation and deeper.**

7. Lessee is hereby granted the right to pool and unitize any stratum or strata under all or any part of the land described above with any other lease or leases, land or lands, mineral estates, so as to create one or more drilling production units. Such drilling or production units shall

conform to the rules and regulations of any lawful governmental authority having jurisdiction in the premises and with good drilling or production practice in the area in which the land is located. In the event of the unitization of the whole or any part of the land covered by this lease, Lessee shall before or after the completion of a well, record a copy of its unit operation designation in the County wherein the leased premises are located, and mail a copy thereof to the Lessor. Such unit operation designation shall identify and describe the land included in the unit. As to each drilling or production unit designated by the Lessee, the Lessor agrees to accept and shall receive out of the royalties specified herein, as the number of acres out of the land covered by this lease which may be included from time to time in any such unit bears to the total number of acres included in such unit. The commencement of drilling completion of or production from a well, whether drilled before or after unitization, or any portion of the unit created under the terms of this paragraph shall have the same effect upon the terms of this lease, except as to the payment of royalties, as if a well were commenced, drilling, completed or production on the land described herein.

8. If said Lessor owns a less interest in the oil and gas in and under the above described land than the undivided fee simple estate therein, then the royalties and rental herein provided shall be paid the Lessor only in the proportion which his interest bears the whole and undivided fee.

9. No well may be drilled nearer than 200 feet to the house or barn now on said premises without the written consent of Lessor. Lessee shall have and enjoy all rights and privileges necessary and convenient for the proper use and development of this lease, and shall have the right to use, free of cost, gas, oil and water produced on said land for its operations thereon, except water from wells of Lessor. Lessee shall also have the right at any time to remove all or any part of the machinery, fixtures or structures placed on said premises, including the right to draw and remove casing. Lessee shall pay for damages caused by its operations to growing crops on said lands, and shall bury its pipelines below plow depth.

10. The interest or estate of either party hereto may be assigned, in whole or in part being expressly allowed. In the event this lease shall be assigned as to any part or parts of the above described land and the assignee or assignees of such part or parts shall fail to make default in the payment of the proportionate part of the rents due from him or them, such default shall not operate to defeat or affect this lease insofar as it covers a part or parts of said land upon which the said Lessee or any assignee thereof shall make due payment of said rental. No change of ownership in the land or in the rentals or royalties shall be binding on the Lessee until after notice to the Lessee and it has been furnished with a written transfer or assignment or a certified copy thereof.

11. At any time, Lessee, its assigns, shall have the right to surrender this lease or any part thereof for cancellation, after which all payments and liabilities hereunder thereafter shall cease and determine, and if the whole is surrendered, then this lease shall become absolutely null and void. This surrender may be made to the Lessor, or if more than one Lessor, than to any one of them, or to the heirs or assigns of any one of them by delivery of a duly executed surrender thereof in person or by mail addressed to the post office address of such person, or by recording a duly executed surrender thereof in the Recorder's office of the County in which the land is located.

12. Lessee and their subcontractors shall have the right to construct access roads, lay pipelines, install drips and other equipment necessary and convenient for the purposes of drilling wells and transporting gas, oil or other products with respect to the wells on the leased premises or lands pooled therewith.

13. It is expressly agreed that if the Lessee shall commence drilling operations at any time while this lease is in force, it shall remain in force and its terms continue so long as such operations are prosecuted, and if production results therefrom, then as long as production continues. If after the expiration of the primary term of this lease all production from the leased premises shall cease from any cause, this lease shall not terminate provided Lessee resumes operations within ninety (90) days from such cessation, and this lease shall remain in force during the prosecution of such operations, and, if production results therefrom, then as long as oil or gas is produced in paying quantities.

14. If at any time within the primary term of this lease or any continuation thereof, Lessor receives any bona fide offer, acceptable to Lessor, to grant an additional lease (top lease) covering all or part of the aforescribed lands, Lessee shall have the continuing option by meeting any such offer to acquire such top lease. Any offer must be in writing and must set forth the proposed Lessee's name, bonus consideration and royalty consideration to be paid for such lease, and include a copy of the lease form to be utilized reflecting all pertinent and relevant terms and conditions of the top lease. Lessee shall have fifteen (15) days after receipt from Lessor of a complete copy of any such offer to advise Lessor in writing of its election to enter into an oil and gas lease with Lessor on equivalent terms and conditions. If Lessee fails to notify Lessor within the aforesaid fifteen (15) day period of its election to meet any such bona fide

offer, Lessor shall have the right to accept said offer. Any top lease granted by Lessor in violation of this provision shall be null and void.

15. This lease may be executed in any number of counterparts and shall be binding upon all owners of interest in the leased premises executing the same or a counterpart hereof, and upon their respective heirs, successors and assigns, whether or not named herein as one of the Lessors, and whether or not other owners of interest in the leased premises have executed other counterparts or have not entered into this lease.

16. **DELAY IN MARKETING:** In the event that Lessee drills a well on the Leasehold or lands pooled/unitized therewith that Lessee deems to be capable of production, but does not market producible gas, oil, or their constituents, therefrom and there is no other basis for extending this Lease, Lessee shall pay after the primary term and until such time as marketing is established (or Lessee surrenders the Lease) a Delay in Marketing payment equal in amount and frequency to the annual Delay Rental payment, and this Lease shall remain in full force and effect to the same extent as payment of Royalty. However, in no event shall this lease be held in full force and effect for a period of more than two (2) consecutive years by making a Delay in Marketing payment.

17. **SHUT-IN:** In the event that production of oil, gas, or their constituents, is interrupted and not marketed for a period of six months, and there is no producing well on the Leasehold or lands pooled/unitized therewith, Lessee shall thereafter, as Royalty for constructive production, pay a Shut-in Royalty equal in amount and frequency to the annual Delay Rental payment until such time as production is re-established (or Lessee surrenders the Lease) and this Lease shall remain in full force and effect. During Shut-in, Lessee shall have the right to rework, stimulate, or deepen any well on the Leasehold or to drill a new well on the Leasehold in an effort to re-establish production, whether from an original producing formation or from a different formation. In the event that the production from the only producing well on the Leasehold is interrupted for a period of less than six months, this Lease shall remain in full force and effect without payment of Royalty or Shut-in Royalty. However, in no event shall this lease be held in full force and effect for a period of more than two (2) consecutive years by making Shut-in Royalty payments.

See Addendum attached hereto and by this reference made a part hereof.

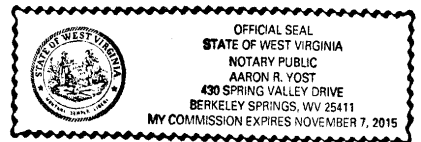
IN WITNESS WHEREOF, Lessor hereunto sets hand and seal.

CHESTNUT HOLDINGS, INC.

Ronald Hayhurst
Ronald Hayhurst, President

ACKNOWLEDGEMENT

STATE OF WEST VIRGINIA :
 COUNTY OF MARION :



On this the 16th day of December, 2010, before me, the undersigned authority, personally appeared **Ronald Hayhurst**, who acknowledged himself to be the **President** of **Chestnut Holdings, Inc., a Florida corporation** and that he as such **President**, being authorized to do so, executed the foregoing instrument for the purposes therein contained by signing the name of the corporation by himself as **President**.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

My Commission Expires: 11/7/2015
 Signature/Notary Public: Aaron R. Yost
 Name/Notary Public (print): Aaron R. Yost

ADDENDUM

This Addendum is attached to and made a part of that certain Oil and Gas Lease dated **December 16, 2010**, by and between **Chestnut Holdings, Inc., a Florida corporation**, as Lessor, and **CHESAPEAKE APPALACHIA, L.L.C.**, as Lessee. If any of the following provisions conflict with or are inconsistent with any of the printed provisions or terms of this Lease, the following provisions shall control.

In addition to the cash bonus which has been paid to Lessor for the execution of this lease, Lessee shall have the right, but not the obligation, on or before the end of the primary term of this lease, to extend the primary term of this lease for a period of Two (2) additional years, commencing at the expiration of the initial primary term, and as long thereafter as oil and gas is produced from said land or lands pooled therewith, by paying Lessor an additional \$1200.00 per acre bonus consideration. If the option is exercised, then the extended term will be considered the primary term as that term is used throughout this oil and gas lease.

Jan Pest
MARSHALL County 09:22:21 AM
Instrument No 1298668
Date Recorded 01/19/2011
Document Type O&G
Pages Recorded 4
Book-Page 720-643
Recording Fee \$10.00
Additional \$6.00

STATE OF WEST VIRGINIA, MARSHALL COUNTY, SCT.:

I, JAN PEST, Clerk of the County Commission of said County, do hereby certify that the annexed writing, bearing date on the 16th day of December, 2010, was presented for and by me, admitted to record in my office upon the above certificate as to the parties therein named this 19th day of January, 2011 at 9:22 o'clock A.M.

TESTE: Jan Pest Clerk.